

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF ONTONAGON	County HOUGHTON
Fiscal Year End MARCH 31, 2007	Opinion Date SEPTEMBER 27, 2007	Date Audit Report Submitted to State SEPTEMBER 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC		Telephone Number 906-482-6601		
Street Address 310 SHELDEN AVENUE		City HOUGHTON	State MI	Zip 49931
Authorizing CPA Signature <i>Bruce A. Rukkila</i>		Printed Name BRUCE A. RUKKILA, CPA		License Number 263812

VILLAGE OF ONTONAGON
ONTONAGON COUNTY, MICHIGAN
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION

March 31, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ontonagon as of and for the year then ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ontonagon as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2007 on our consideration of Village of Ontonagon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 14 and 38 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Village of Ontonagon's basic financial statements. The additional information on pages 42 to 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

September 27, 2007



Bruce A Rukkila, CPA, PC



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ontonagon as of and for the year then ended March 31, 2007 which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ontonagon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements is more than inconsequential and will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

September 27, 2007

This section of the Village of Ontonagon's annual Financial Report presents the Management Discussion and Analysis of the Village's financial activities during the fiscal year ended March 31, 2007. The analysis focuses on the Village's financial performance as a whole. It is intended to be read as part of the Village's financial statements, which immediately follow this section.

Financial Highlights

The Village of Ontonagon budgeted funds within budget at the end of the year. Total expenses for governmental activities totaled \$1.5 million. Total expenses for business-type activities totaled \$1.0 million. The year end fund balance for the General Fund was \$450,683.

This year, activity for the Marina and Fire Department are being reported as individual funds in the governmental activities. Reports are presented on pages 47 and 48.

Fixed assets additions for this year totaled \$473,034, which included a 2006 Pierce DX Tanker for the Fire Department, the welcome sign at the entrance of the Village and the completion of the joint project of the Salt Shed with Michigan Department of Transportation.

The Village reduced its debt by a total of \$312,525. A detail summary of the changes in the long-term debt for the year end is located on page 33 in the footnotes.

The Ontonagon Memorial Hospital, a component unit of the Village reported a \$265,058 operating loss in 2007 compared to an operating loss of \$797,394 in 2006. The General Fund advanced \$50,000 to the Ontonagon Memorial Hospital for the appointment of a consultant to assist in improving the financial position.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Village's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Village as a whole and represent an overall view of the Village's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the Village is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Village's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the Village's net assets is one way to determine if the financial position of the Village is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Village.

There are two kinds of activities in the Statement of Net Assets and the Statement of Activities:

Governmental Activities - Most of the Village's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Overview of the Financial Statements - Continued

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Village of Ontonagon the General Fund, Road Fund, and Fire Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

Business-Type Activities - The Village's sewer and water activities are reported here. A fee is charged to customers to help defray the cost of these services.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the Village's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the General Fund, Special Revenue Funds, and Proprietary Funds.

Governmental Funds - The Village's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the Village's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the Village's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Overview of the Financial Statements - Continued

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Village uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Village's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.

Internal service funds provide services to other Village activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle and equipment maintenance. The Village of Ontonagon Equipment Fund is the only internal service fund.

Component Units - The Village has two component units that are separate legal entities for which the Village has some level of financial accountability. These component units are shown in a separate column. They include Ontonagon Memorial Hospital and the Downtown Development Authority. More information about the component units can be found in the Notes.

The Village has a third component unit, the Ontonagon Housing Commission. The Village is not financially accountable for the Housing Commission nor does it have a significant relationship. Therefore, the Housing Commission is not included as part of the Village reporting entity.

Summary of Net Assets

	Governmental Activities	Business-type Activities
Assets		
Current and other assets	\$ 1,658,590	\$ 583,439
Restricted investments	0	1,078,454
Capital assets - Net of accumulated depreciation	2,335,858	21,368,825
Total Assets	<u>\$ 3,994,448</u>	<u>\$ 23,030,718</u>
Liabilities		
Current liabilities	\$ 46,316	\$ 344,508
Long-term liabilities	367,973	9,359,862
Total Liabilities	<u>414,289</u>	<u>9,704,370</u>
Net Assets		
Invested in property and equipment - net of related debt	2,033,661	(537,383)
Contributed Capital	248,780	12,242,346
Restricted for debt service	0	839,034
Unrestricted	1,297,718	782,351
Total Net Assets	<u>3,580,159</u>	<u>13,326,348</u>
Total Liabilities and Net Assets	<u>\$ 3,994,448</u>	<u>\$ 23,030,718</u>

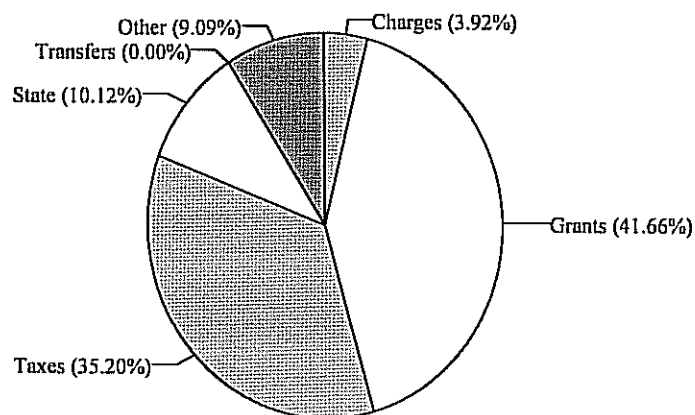
Village of Ontonagon
Management's Discussion and Analysis
March 31, 2007

Results of Operations

	Governmental Activities	Business-type Activities
<u>Revenues</u>		
Program Revenue:		
Charges for services	\$ 69,363	\$ 1,356,833
Grants and contributions	178,948	0
Capital grants and contributions	557,408	0
General Revenue:		
Property taxes	622,221	0
State shared revenue	178,840	0
Other	160,756	52,885
Transfers	0	100,000
Total Revenue	1,767,536	1,509,718
<u>Functions/Program Expenses</u>		
General government	141,637	0
Public safety	72,074	0
Public works	480,380	1,074,178
Recreation and culture	91,585	0
Community services	59,884	0
Other	369,955	0
Transfers	150,000	0
Total Expenses	1,365,515	1,074,178
Change in Net Assets	402,021	435,540
Net Assets - Beginning	3,178,138	12,890,808
Net Assets - Ending	\$ 3,580,159	\$ 13,326,348

The following two charts highlight the Village's governmental activities by revenues and expenses.

Revenues-Governmental Activities



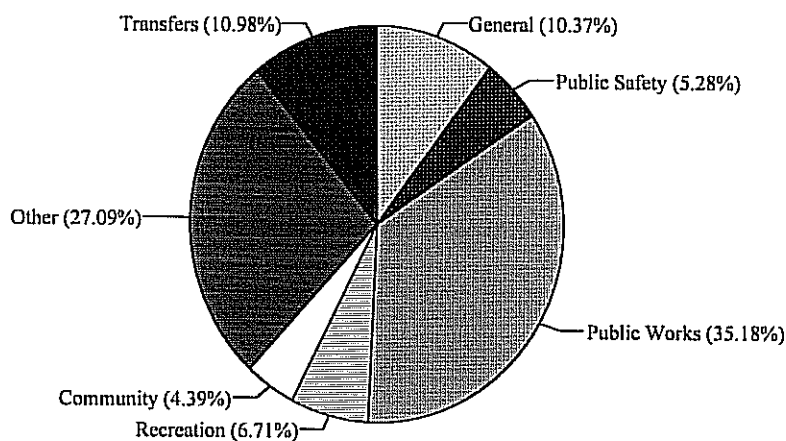
Village of Ontonagon
Management's Discussion and Analysis
March 31, 2007

The most significant portions of the revenues for all governmental activities of the Village comes from property taxes. The Village's operating millage was 12.50. The Village charter allows the Village to levy up to 20.0 mills for operations.

The state revenue represents state shared revenue and funds for the Major and Local Street Funds from the Michigan Transportation Fund.

The grant revenue is for salt storage shed, fire equipment, rental rehab project and M-64 Bridge project.

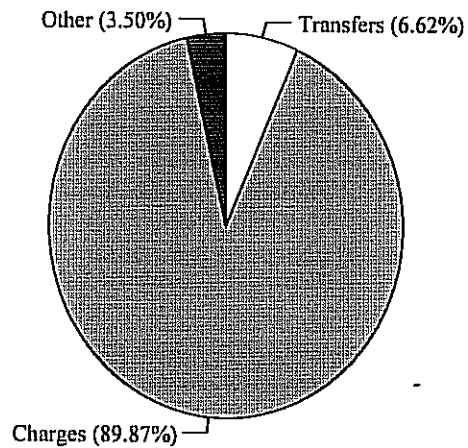
Expenses-Governmental Activities



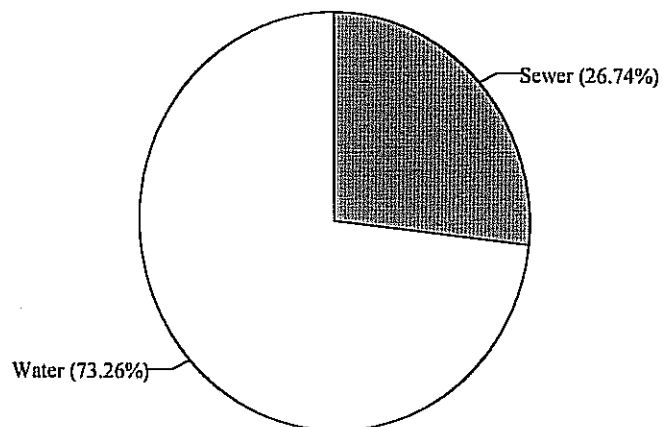
The general area expenses represent village hall activities. The major, local and road expenses are included in the public works area, which includes the salt shed building and M-64 bridge expenditures. Marina expenses are included in the recreation.

The following two charts highlight the Village's business-type activities by revenues and expenses.

Revenues-Enterprise Funds



Expenditures-Enterprise Funds



Village of Ontonagon
Management's Discussion and Analysis
March 31, 2007

Financial Analysis

Governmental Funds: The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined unreserved fund balances of \$1,284,403.

The General Fund is the main operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$450,683. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 73% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$99,321 during the fiscal year. Key elements of this decrease are the reduction of state shared revenues and the increase in the cost of employee benefits.

Proprietary Funds: The Village's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Fund equity at the end of the year amounted to \$13,326,348. Of this amount \$12,242,346 is contributed capital from federal and state grants, net of amortization, \$839,034 is restricted for debt service.

Budgetary Highlights

During the year ended March 31, 2007, the Village amended the budget twice. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted level effort required for various maintenance activities in the different funds.

Capital Assets and Debt Administration

The Village's investment in capital assets for the governmental and business-type activities as of March 31, 2007, amounts to \$31,082,949. This investment in capital assets including land, buildings, improvements, machinery and equipment. Additions to the general fixed assets included a Tanker for the Fire Department in the amount of \$158,695, the welcome sign installation for \$14,080 and the joint venture with MDOT for the Salt Shed in the amount of \$300,259. The equipment fund sold a sander truck.

Additional information on the Village's capital assets can be found starting on page 28 of this report.

Long-term debt: At the end of the current fiscal year, the Village had total debt of \$9,996,784. This total amount is backed by the full faith and credit of the Village. The Village's total debt decreased by \$304,000 during the fiscal year.

Additional information on the Village's long-term debt can be found starting page 31 of this report.

Request for Information

This financial report is designed to provide our citizens , taxpayers, customers, investors and creditors with a general overview of the Village's finances. If you have questions about this report or need additional information, contact the Village Manager at 315 Quartz Street, Ontonagon, Michigan 49953 or call 906-884-2305.

VILLAGE OF ONTONAGON
STATEMENT OF NET ASSETS

March 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,556,524	\$ 469,880	\$ 2,026,404	\$ 780,239
Receivables	63,682	119,899	183,581	1,184,221
Inventories	-	-	-	212,897
Prepaid expenses	-	-	-	110,927
Internal balances	6,340	(6,340)	-	-
Due to component unit	2,091	-	2,091	-
Due from other governmental units	29,953	-	29,953	-
TOTAL CURRENT ASSETS	1,658,590	583,439	2,242,029	2,288,284
NONCURRENT ASSETS:				
Restricted cash	-	1,078,454	1,078,454	222,195
Capital assets	5,170,234	25,912,715	31,082,949	6,522,212
Less: accumulated depreciation	(2,834,376)	(4,543,890)	(7,378,266)	(4,311,609)
TOTAL NONCURRENT ASSETS	2,335,858	22,447,279	24,783,137	2,432,798
TOTAL ASSETS	\$ 3,994,448	\$ 23,030,718	\$ 27,025,166	\$ 4,721,082
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 42,054	\$ 40,508	\$ 82,562	\$ 2,304,217
Due to from component unit	-	-	-	2,091
Bonds payable, current maturities	4,262	304,000	308,262	308,164
Note payable, current maturities	-	-	-	353,319
TOTAL CURRENT LIABILITIES	46,316	344,508	390,824	2,967,791
NONCURRENT LIABILITIES:				
Bonds payable, less current maturities	302,213	9,359,862	9,662,075	882,615
Note payable, less current maturities	-	-	-	241,053
Compensated absences	53,417	-	53,417	-
Deferred revenue	12,343	-	12,343	-
TOTAL NONCURRENT LIABILITIES	367,973	9,359,862	9,727,835	1,123,668
TOTAL LIABILITIES	414,289	9,704,370	10,118,659	4,091,459
NET ASSETS:				
Invested in capital assets, net of related debt	2,033,661	(537,383)	1,496,278	679,712
Contributed capital	248,780	12,242,346	12,491,126	-
Restricted for debt service	-	839,034	839,034	-
Unreserved	1,297,718	782,351	2,080,069	(50,089)
TOTAL NET ASSETS	3,580,159	13,326,348	16,906,507	629,623
TOTAL LIABILITIES AND NET ASSETS	\$ 3,994,448	\$ 23,030,718	\$ 27,025,166	\$ 4,721,082

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
STATEMENT OF ACTIVITIES
March 31, 2007

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Component Units
Primary government:							
Government activities:							
General government	\$ 141,637	\$ 16,206	\$ -	\$ -	\$ (125,431)	\$ -	\$ (125,431)
Public safety	72,074	-	-	-	(72,074)	-	(72,074)
Public works	480,380	2,893	178,948	557,408	258,869	-	258,869
Recreation and culture	91,585	50,264	-	-	(41,321)	-	(41,321)
Community services	59,884	-	-	-	(59,884)	-	(59,884)
Other	369,955	-	-	-	(369,955)	-	(369,955)
Total governmental activities	1,215,515	69,363	178,948	557,408	(409,796)	-	409,796
Business-type activities:							
Water	776,087	1,015,879	-	-	-	239,792	239,792
Sewer	298,091	340,954	-	-	-	42,863	42,863
Total business-type activities	1,074,178	1,356,833	-	-	-	282,655	282,655
Total primary government	2,289,693	1,426,196	178,948	557,408	(409,796)	282,655	(127,141)
Component units:							
DDA District	\$ 76,953	4,575	2,647	-	-	-	(69,731)
Hospital	11,849,927	10,913,283	-	-	-	-	(936,644)
Total component units	11,926,880	10,917,858	2,647	-	-	-	(1,006,375)
General Revenues:							
Property taxes, levied for general operations					622,221	-	622,221
State shared revenue					178,840	-	178,840
Interest and investment earnings					25,131	30,676	55,807
Transfers					(150,000)	100,000	(50,000)
Other					135,625	22,209	157,834
Total general revenues, transfers, and special items					811,817	152,885	964,702
Change in Net Assets					402,021	435,540	837,561
Net Assets - Beginning					3,178,138	12,890,808	16,068,946
Net Assets - Ending					\$ 3,580,159	\$ 13,326,348	\$ 16,906,507
							\$ 629,623

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2007

	General Fund	Road Fund	Fire Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 459,726	\$ 95,771	\$ 51,072	\$ 614,516	\$ 1,221,085
Taxes receivable	20,370	32,085	6,437	-	58,892
Accounts receivable	-	-	-	4,790	4,790
Due from other funds	52,582	-	6,688	38,000	97,270
Due from component unit	2,091	-	-	-	2,091
Due from governmental units	-	-	-	29,953	29,953
TOTAL CURRENT ASSETS	\$ 534,769	\$ 127,856	\$ 64,197	\$ 687,259	\$ 1,414,081
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable	\$ 7,430	\$ 1,563	\$ 2,211	\$ 633	\$ 11,837
Accrued expenses	27,873	-	-	1,228	29,101
Due to other funds	48,783	49,490	-	7,672	105,945
Deferred revenue	-	-	-	12,343	12,343
TOTAL CURRENT LIABILITIES	84,086	51,053	2,211	21,876	159,226
FUND BALANCES:					
Unreserved	450,683	76,803	61,986	665,383	1,254,855
TOTAL LIABILITIES AND FUND BALANCES	\$ 534,769	\$ 127,856	\$ 64,197	\$ 687,259	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,133,576
Internal service fund (Equipment Fund) is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net assets.	551,620
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(359,892)
Net assets of governmental activities	<u>\$ 3,580,159</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2007

	General Fund	Road Fund	Fire Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 390,857	\$ 142,114	\$ 89,250	\$ -	\$ 622,221
State revenue	178,840	-	-	178,948	357,788
Grant revenue	10,000	265,583	142,405	139,420	557,408
Charges for services	18,084	-	-	48,386	66,470
Interest	11,342	1,077	379	3,909	16,707
Other revenue	94,087	-	5,000	36,538	135,625
Total revenues	703,210	408,774	237,034	407,201	1,756,219
Expenditures:					
General government	116,766	-	-	-	116,766
Public safety	28,362	-	186,338	-	214,700
Public works	117,045	310,127	-	254,393	681,565
Recreation and culture	37,062	-	-	54,523	91,585
Community promotion	59,884	-	-	-	59,884
Other	254,412	-	-	115,543	369,955
Total expenditures	613,531	310,127	186,338	424,459	1,534,455
Excess (deficiency) of revenue over expenditures	89,679	98,647	50,696	(17,258)	221,764
Other Financing Sources (Uses)					
Operating transfers in	5,000	-	11,290	194,000	210,290
Transfer to Component Unit (Hospital)	(50,000)	-	-	-	(50,000)
Operating transfers out	(144,000)	(155,000)	-	-	(299,000)
Total other financing sources (uses)	(189,000)	(155,000)	11,290	194,000	(138,710)
Net change in fund balance	(99,321)	(56,353)	61,986	176,742	83,054
Fund Balances - Beginning of Year	550,004	133,156	-	488,641	
Fund Balances - End of Year	\$ 450,683	\$ 76,803	\$ 61,986	\$ 665,383	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents depreciation.	(345,026)
Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities where it reduces long-term debt	(8,525)
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	(1,043)
Internal service fund (Equipment Fund) is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities.	(33,541)
Change in net assets of governmental activities	\$ 402,021

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
BALANCE SHEET
Year Ended March 31, 2007

	Business-Type Activities <u>Enterprise Funds</u> Sewer/Water System	Governmental Activities <u>Internal Service Funds</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 469,880	\$ 335,439
Accounts receivable	119,899	-
Due from other funds	37,230	15,015
Total current assets	<u>627,009</u>	<u>350,454</u>
Restricted cash	<u>1,078,454</u>	<u>-</u>
Property, plant, and equipment	25,912,715	1,207,366
Accumulated depreciation & amortization	<u>(4,543,890)</u>	<u>(1,005,084)</u>
	<u>21,368,825</u>	<u>202,282</u>
TOTAL ASSETS	<u>\$ 23,074,288</u>	<u>\$ 552,736</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 11,751	\$ 1,116
Accrued expenses	23,196	-
Customer deposits	5,561	-
Due to other funds	43,570	-
Current maturities on long term debt	304,000	-
Total current liabilities	<u>388,078</u>	<u>1,116</u>
Long-term liabilities:		
Bonds/note payable	<u>9,359,862</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,747,940</u>	<u>1,116</u>
FUND EQUITY:		
Contributed capital	<u>12,242,346</u>	<u>248,780</u>
Retained earnings:		
Reserved	839,034	-
Unreserved - Undesignated	<u>244,968</u>	<u>302,840</u>
Total retained earnings	<u>1,084,002</u>	<u>302,840</u>
TOTAL FUND EQUITY	<u>13,326,348</u>	<u>551,620</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,074,288</u>	<u>\$ 552,736</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2007

	Business-Type Activities <u>Enterprise Funds</u> Sewer/Water System	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES:		
Sales and charges for services	\$ 1,341,977	\$ 183,447
Fines, forfeitures, and penalties	14,856	-
Other revenue	<u>22,209</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>1,379,042</u>	<u>183,447</u>
EXPENSES:		
Salaries, wages, and fringe benefits	308,540	43,440
Supplies, materials, and other	74,177	16,183
Repair and maintenance	11,604	39,527
Insurance	1,200	-
Utilities	73,003	17,788
Other services and support	56,124	525
Depreciation	<u>517,724</u>	<u>96,005</u>
TOTAL OPERATING EXPENSES	<u>1,042,372</u>	<u>213,468</u>
OPERATING INCOME (LOSS)	336,670	(30,021)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	30,676	8,424
Interest expense	(272,381)	(654)
Operating transfers out	-	(11,290)
Operating transfers in	<u>100,000</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(141,705)</u>	<u>(3,520)</u>
NET INCOME (LOSS)	194,965	(33,541)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	648,462	336,381
ADJUSTMENTS TO FUND EQUITY:		
Add depreciation on contributed capital fixed assets	<u>240,575</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ 1,084,002</u>	<u>\$ 302,840</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended March 31, 2007

	Business-Type Activities Enterprise Funds		Governmental Activities
	Sewer System	Water System	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 313,141	\$ 1,025,295	\$ 2,893
Payments to suppliers	(29,161)	172,605	(80,244)
Internal activity -- receipts (payments) to other funds	(4,803)	26,599	169,264
Payments to employees	(38,593)	(268,928)	(44,426)
Other receipts (payments)	923	21,286	-
Net cash provided by operating activities	241,507	578,449	47,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	100,229	8,332	25,491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	(2)	-	-
Purchases of capital assets	-	-	(1)
Principal paid on capital debt	(67,000)	(235,000)	(34,520)
Interest paid on capital debt	(127,002)	(145,379)	(654)
Net cash (used) by capital and related financing activities	(194,000)	(380,379)	(35,175)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	7,762	22,914	8,424
Net cash provided by investing activities	7,762	22,914	8,424
Net (decrease) in cash and cash equivalents	155,498	212,652	46,227
Balances -- beginning of the year	318,927	861,257	289,212
Balances -- end of the year	\$ 474,425	\$ 1,073,909	\$ 335,439
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 117,264	\$ 219,406	\$ (30,021)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	154,680	363,044	96,005
Changes in assets and liabilities:			
Receivables, net	(27,813)	9,800	-
Accounts and other payables	(2,858)	(14,586)	(6,221)
Accrued expenses	234	785	(986)
Net cash provided by operating activities	\$ 241,507	\$ 578,449	\$ 58,777

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Ontonagon, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

The Village of Ontonagon is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village of Ontonagon (the primary government) and its component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village. The criteria and guidelines of the Governmental Accounting Standards Board Statement Number 14 *The Reporting Entity* are utilized to determine that all applicable entities are included in the combined financial statements of the Village. The primary criterion for inclusion is the degree of oversight responsibility over such entities by the Village's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity:

Ontonagon Memorial Hospital - the hospital is owned by the Village of Ontonagon. The Village is financially accountable for the hospital. The hospital, therefore, is included in these financial statements using the "discrete presentation method."

Downtown Development Authority - the Downtown Development Authority (DDA) is a separate legal entity; however, the Village is financially accountable for the DDA. Therefore, the DDA is included with the Village financial statements using the "discrete presentation method."

Ontonagon Housing Commission - the Village is not financially accountable for the Housing Commission nor does it have a significant relationship. Therefore, the Housing Commission is not included as part of the Village reporting entity.

The Ontonagon Memorial Hospital and the Ontonagon Housing Commission are audited separately by other auditors. These audits are under separate cover. Copies of these audits may be obtained from the Ontonagon Village manager.

DISCRETELY PRESENTED COMPONENT UNITS

The combined financial statements include the financial data of the Village's component units: the Ontonagon Memorial Hospital, and the Downtown Development Authority (DDA). These units are reported in a separate column to emphasize that it is legally separate from the Village. Copies of these audits may be obtained from the Ontonagon Village manager.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Village as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Village and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Village.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The Village reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund - This fund is accounting for the roads and streets activities from tax generated revenue.

Fire Fund - Fire protection activities major revenue source is property tax revenue from Village and Ontonagon Township.

Additionally, the Village reports the following non-major governmental funds: Major Street, Local Street, Fire, Marina, and Rental Rehab.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governments, on a cost reimbursement basis. The Village maintains one Internal Service Fund, which is the Equipment Fund.

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is incurred.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Other Accounting Policies

Cash and Cash Equivalents - The Village's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Village reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Village to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village does have an investment policy that meets state statutory regulations.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the Enterprise Fund, the "Bond Requirements" accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - Property taxes are levied on July 1. The Village collects its own property taxes until September 14, at which time collection is turned over to Ontonagon County for collection.

The tax rate to finance general Village government services for the year ended March 31, 2007, was \$12.50 per \$1,000 of assessed value. At July 1, 2006 taxable valuation was \$34,944,493 which computed to \$424,964 taxes levied. Additional millage was levied county-wide for road improvements which amounted to \$159,459 for the Village Road Fund.

Fixed Assets - Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

Buildings and additions	20-50 Years
Vehicles and equipment	5-10 Years
Furniture and other	5-10 Years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital - The Village follows the policy of reducing contributed capital in the equipment, water, and sewer fund for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At March 31, 2007, Federal, State and Local contributed capital of \$13,891,422 has been reduced by an aggregate of \$1,649,077. The current year amortization is \$240,574.

Inventory - Inventory is valued at cost as determined on the first-in, first-out method for the Water Fund. All other funds the Village utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Village does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid sick leave balances. As of March 31, 2007, accrued unpaid sick pay totaled \$53,417. Accrued sick time is payable upon termination of employment or retirement.

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- a. In February, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted by resolution.
- d. The Village Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village council throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Village must adopt an annual operating budget for the General and Special Revenue Funds.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND CASH EQUIVALENTS

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business.

At year-end, the Village's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government
Cash and investments	\$ 1,556,524	\$ 1,548,334	\$ 3,104,858

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

Primary Government

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. At March 31, 2007, the book value of the Village's demand deposits, consisting primarily of checking and savings accounts, certificates of deposit and other cash equivalents, was \$3,104,858 with a corresponding bank balance of \$3,117,282. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,437,748, representing approximately 54% of the Village's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,679,534 was insured and \$1,437,748 was neither insured or collateralized.

The Village has determined that because of the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it uses and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component Units

Downtown Development Authority - At March 31, 2007, the book value of demand deposits, consisting primarily of checking and certificates of deposit, was \$57,798. One hundred percent (100%) of the deposits are insured by the Federal Deposit Insurance Corp. (FDIC) at March 31, 2007, per FDIC regulation number 330.8.

Ontonagon Memorial Hospital - At March 31, 2007, the book value of demand deposits, consisting primarily of checking and certificates of deposit, was \$944,635. Approximately \$842,000 was not insured by the Federal Deposit Insurance Corp. (FDIC) at March 31, 2007, per FDIC regulation number 330.8.

NOTE D - TRANSFERS AND INTERFUND BALANCES

For the year then ended, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$ 144,000	General	\$ 5,000
Road Fund	155,000	Major Street	61,500
Equipment Fund	11,290	Local Street	88,500
		Fire	11,290
		Marina	44,000
		Sewer	100,000
TOTALS	\$ 310,290	TOTALS	\$ 310,290

The transfers from the General Fund and other non-major governmental funds to the Major and Local Street Funds and other non-major governmental funds represents the use of unrestricted resources to finance these programs, in accordance with budgetary authorizations.

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE D - TRANSFERS AND INTERFUND BALANCES (Continued)

The amounts of interfund balances at March 31, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 52,582	Road	\$ 44,410
		Marina	4,725
		Rental Rehab	100
		M64	2,847
		Sewer	500
Subtotal	<u>52,582</u>	Subtotal	<u>52,582</u>
Major Street	<u>38,000</u>	General	<u>38,000</u>
Fire	<u>6,688</u>	Road	<u>5,080</u>
		General	<u>1,608</u>
	<u>6,688</u>		<u>6,688</u>
Water	<u>37,230</u>	General	<u>9,175</u>
		Sewer	<u>28,055</u>
Subtotal	<u>37,230</u>	Subtotal	<u>37,230</u>
Equipment	<u>15,015</u>	Water Fund	<u>15,015</u>
TOTALS	<u>\$ 149,515</u>	TOTALS	<u>\$ 149,515</u>

NOTE E - RECEIVABLES

The detail of receivables at March 31, 2007 are as follows:

<u>Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Enterprise</u>	<u>Total Primary Government</u>
Accounts	\$ 0	\$ 0	\$ 4,790	\$ 119,899	\$ 124,689
Taxes	20,370	38,522	0	0	58,892
Total receivables	<u>\$ 20,370</u>	<u>\$ 38,522</u>	<u>\$ 4,790</u>	<u>\$ 119,899</u>	<u>\$ 183,581</u>

NOTE F - FIXED ASSETS

Fixed Asset activity of the Village's governmental activities was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Land	\$ 718,885	\$ 0	\$ 0	\$ 718,885
Land improvements	0	14,080	0	14,080
Building and additions	1,286,363	300,259	0	1,586,622
Equipment and furniture	937,212	0	15,000	922,212
Vehicles	500,163	158,695	0	658,858
Roads and streets	1,269,577	0	0	1,269,577
Subtotal	<u>4,712,200</u>	<u>473,034</u>	<u>15,000</u>	<u>5,170,234</u>
Accumulated depreciation:				
Land improvements	0	293	0	293
Building and additions	772,759	36,199	0	808,958
Equipment and furniture	665,620	75,702	15,000	726,322
Vehicles	412,880	33,113	0	445,993
Roads and streets	774,105	78,705	0	852,810
Subtotal	<u>2,625,364</u>	<u>224,012</u>	<u>15,000</u>	<u>2,834,376</u>
Net capital assets	<u>\$ 2,086,836</u>	<u>\$ 249,022</u>	<u>\$ 0</u>	<u>\$ 2,335,858</u>

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE F - FIXED ASSETS (Continued)

Depreciation expense was charged to governmental activities of the Village as follows:

General Fund	\$	33,233
Equipment Fund		96,005
Major Streets Fund		74,728
Local Streets Fund		3,977
Fire Fund		15,753
Marina Fund		316
	\$	<u>224,012</u>

The components of property, plant, and equipment in Village proprietary funds at March 31, 2007 are summarized as follows:

		Balance				Balance
		03/31/06	Additions	Deletions		03/31/07
SEWER FUND						
Buildings	\$	1,585,295	\$ 0	\$ 0	\$	1,585,295
Equipment		38,782	0	0		38,782
Land improvements		16,533	0	0		16,533
Lines		556,260	0	0		556,260
Vehicles		4,290	0	0		4,290
Utility system		5,687,887	0	0		5,687,887
Subtotal		<u>7,889,047</u>	<u>\$ 0</u>	<u>\$ 0</u>		<u>7,889,047</u>
Accumulated depreciation:						
Buildings		933,346	\$ 29,533	\$ 0		962,879
Equipment		32,061	2,648	0		34,709
Land improvements		2,727	121	0		2,848
Lines		283,489	8,620	0		292,109
Vehicles		4,290	0	0		4,290
Utility system		853,183	113,758	0		966,941
Subtotal		<u>2,109,096</u>	<u>\$ 154,680</u>	<u>\$ 0</u>		<u>2,263,776</u>
Net capital assets	\$	<u>5,779,951</u>			\$	<u>5,625,271</u>
 WATER FUND						
		Balance				Balance
		03/31/06	Additions	Deletions		03/31/07
Buildings		240,426	\$ 0	\$ 0	\$	240,426
Equipment		57,816	0	0		57,816
Land		20,000	0	0		20,000
Lines		17,646,233	0	0		17,646,233
Vehicles		59,193	0	0		59,193
Subtotal		<u>18,023,668</u>	<u>\$ 0</u>	<u>\$ 0</u>		<u>18,023,668</u>
Accumulated depreciation:						
Buildings		226,010	\$ 4,809	\$ 0		230,819
Equipment		37,058	6,167	0		43,225
Lines		1,616,959	347,894	0		1,964,853
Vehicles		37,042	4,175	0		41,217
Subtotal		<u>1,917,069</u>	<u>\$ 363,045</u>	<u>\$ 0</u>		<u>2,280,114</u>
Net capital assets	\$	<u>16,106,599</u>			\$	<u>15,743,554</u>

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE F - FIXED ASSETS (Continued)

EQUIPMENT FUND		Balance 03/31/06	Additions	Deletions	Balance 03/31/07
Equipment		\$ 722,203	\$ 0	\$ 15,000	\$ 707,203
Vehicles		500,163	0	0	500,163
Subtotal		1,222,366	\$ 0	\$ 15,000	1,207,366
Accumulated depreciation:					
Equipment		511,200	\$ 68,181	\$ 15,000	564,381
Vehicles		412,880	27,823	0	440,703
Subtotal		924,080	\$ 96,004	\$ 15,000	1,005,084
Net capital assets		\$ 298,286			\$ 202,282

NOTE G - RESERVES AND RESTRICTED ASSETS - PROPRIETARY FUNDS

Sewer Fund – The ordinance authorizing issuance of the 1996 and 1997 Sanitary Sewage Disposal System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond and Interest Reserve Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

Bond Reserve Account - Excess funds of up to \$4,850 per quarter are to be transferred to this account until \$194,000 is accumulated.

Water Fund – The ordinance authorizing issuance of the 2004 General Obligation Limited Tax Bonds, require that a Bond Reserve Account be established and quarterly transfers to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due. In addition, the repair, replacement and improvement account will continue to be maintained.

At March 31, 2007, the Village had established these accounts and had restricted cash, as required, as follows:

	REQUIREMENTS			Amount Funded in Restricted Cash Balance
	March 31, 2006	Additions (deletions)	March 31, 2007	
SEWER FUND				
Bond and interest reserve account	\$ 16,250	\$ 500	\$ 16,750	\$ 118,549
Bond reserve account	181,975	11,250	193,225	194,000
	<u>198,225</u>	<u>11,750</u>	<u>209,975</u>	<u>312,549</u>
WATER FUND				
Bond debt retirement fund	167,022	535	167,557	526,485
	<u>\$ 365,247</u>	<u>\$ 12,285</u>	<u>\$ 377,532</u>	<u>\$ 839,034</u>

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE H - LONG-TERM DEBT

ENTERPRISE FUNDS

1996 Sanitary Sewage Disposal System Revenue Bonds - On October 2, 1996, the Village of Ontonagon authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$3,000,000. The bonds were issued with an interest rate of 4.5% per annum with principal amounts payable September 1 and interest payable semi-annually on September 1 and March 1.

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March	Principal September	Interest		Total
		September	March	
2008	\$ 44,000	\$ 59,918	\$ 58,972	\$ 162,890
2009	46,000	58,973	57,982	162,955
2010	47,000	57,983	56,947	161,930
2011	50,000	56,948	55,890	162,838
2012	52,000	55,890	54,765	162,655
2013	55,000	54,765	53,595	163,360
2014	56,000	53,595	52,357	161,952
2015	60,000	52,358	51,097	163,455
2016	62,000	51,098	49,747	162,845
2017	65,000	49,748	48,352	163,100
2018-2022	370,000	226,508	218,520	815,028
2023-2027	457,000	183,038	173,206	813,244
2028-2032	574,000	129,107	116,754	819,861
2033-2037	712,000	61,560	43,377	816,937
	<u>\$ 2,650,000</u>	<u>\$ 1,151,489</u>	<u>\$ 1,091,561</u>	<u>\$ 4,893,050</u>

1997 Sanitary Sewage Disposal System Revenue Bonds - On June 26, 1997, the Village of Ontonagon authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$493,143. The bonds were issued at an interest rate of 2.25% per annum with principal amounts payable October 1 and interest payable semi-annually on April 1 and October 1.

Year Ended March 31	Interest		Principal October	Total
	April	October		
2008	\$ 3,298	\$ 3,298	\$ 25,000	\$ 31,596
2009	3,017	3,017	25,000	31,034
2010	2,735	2,735	25,000	30,470
2011	2,454	2,454	25,000	29,908
2012	2,173	2,173	25,000	29,346
2013	1,892	1,892	25,000	28,784
2014	1,610	1,610	25,000	28,220
2015	1,329	1,329	30,000	32,658
2016	992	992	30,000	31,984
2017	654	654	55,000	56,308
TOTALS	<u>\$ 20,154</u>	<u>\$ 20,154</u>	<u>\$ 290,000</u>	<u>\$ 330,308</u>

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE H - LONG-TERM DEBT (Continued)

2004 Water Bonds - On June 14, 2004, the Village of Ontonagon refunded the Water Supply System Revenue Bond with the Michigan Municipal Bond Authority in the amount of \$7,370,000. The bonds were issued at an interest rate of 2.125% per annum with principal amounts payable October 1 and interest payable semi-annually on October 1 and April 1.

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2008	\$ 71,441	\$ 71,441	\$ 235,000	\$ 377,882
2009	72,557	72,557	240,000	385,114
2010	70,538	70,538	240,000	381,076
2011	68,466	68,466	240,000	376,932
2012	66,341	66,341	240,000	372,682
2013	64,216	64,216	240,000	368,432
2014	62,038	62,038	240,000	364,076
2015	59,807	59,807	245,000	364,614
2016	57,522	57,522	245,000	360,044
2017	55,185	55,185	245,000	355,370
2018-2022	202,983	202,983	1,240,000	1,645,966
2023-2027	136,683	136,683	1,260,000	1,533,366
2028-2032	69,109	69,109	1,290,000	1,428,218
2033-2034	8,370	8,370	523,862	540,602
TOTALS	\$ 1,065,256	\$ 1,065,256	\$ 6,723,862	\$ 8,854,374

INTERNAL SERVICE FUND (EQUIPMENT FUND)

Fire Truck Installment - On December 8, 1998, the Village entered into a \$57,520 loan contract with USDA for the purpose of purchasing a fire truck. The loan was financed at an interest rate of 4.75% per annum. Principal amounts payable December 1 and interest payable bi-annually on June 1 and December 1.

Year	June Interest	December Interest	December Principal	Total
2008	\$ 725	\$ 630	\$ 4,000	\$ 5,355
2009	630	535	4,000	5,165
2010	535	440	4,000	4,975
2011	440	345	4,000	4,785
2012	345	250	4,000	4,595
2013	250	125	5,260	5,635
2014	125	0	5,260	5,385
TOTAL	\$ 3,050	\$ 2,325	\$ 30,520	\$ 35,895

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE H - LONG-TERM DEBT (Continued)

LONG-TERM DEBT ACCOUNT GROUP

1998 Loan of Federal Funds - Payable to Michigan Jobs Commission - In 1998, the Village of Ontonagon entered into a \$315,000 loan contract with the Michigan Jobs Commission for the purpose of Renaissance Zone Industrial Park. The loan has been amended to a non-interest loan and extension of the project to March 31, 2008. The debt (up to 90%) will be forgiven at the rate of \$20,000 for each qualifying net new job created and added to the existing job base. Adjustment for new jobs created will be done at the end of the project period. Principal payments have been set at \$1,065.57 per quarter.

<u>Year</u>	<u>Principal</u>
2008	\$ 4,262
2009	4,262
2010	4,262
2011	4,262
2012	4,262
2013	4,262
2014	4,262
2015	4,262
2016	4,262
2017-2021	268,117
TOTAL	\$ 306,475

The aggregate amount of maturities on long-term debt for Enterprise Funds:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 304,000	\$ 268,368	\$ 572,368
2009	311,000	268,103	579,103
2010	312,000	261,476	573,476
2011	315,000	254,678	569,678
2012	317,000	247,683	564,683
2013	320,000	240,576	560,576
2014	321,000	233,248	554,248
2015	335,000	225,727	560,727
2016	337,000	217,873	554,873
2017	365,000	209,778	574,778
2018-2022	1,610,000	850,994	2,460,994
2023-2027	1,717,000	629,610	2,346,610
2028-2032	1,864,000	384,079	2,248,079
2033-2037	1,235,862	121,677	1,357,539
	\$ 9,663,862	\$ 4,413,870	\$ 14,077,732

The following is a summary of the changes in the long-term debt for the year ended March 31, 2007:

	<u>Balance 03/31/06</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 03/31/07</u>	<u>Current Maturities</u>
1996 Sanitary Sewage Bonds	\$ 2,690,000	\$ 0	\$ 40,000	\$ 2,650,000	\$ 44,000
1997 Sanitary Sewage Bonds	315,000	0	25,000	290,000	25,000
2003 Water Bonds	6,958,862	0	235,000	6,723,862	235,000
Sub-Total Enterprise Funds	9,963,862	0	300,000	9,663,862	304,000
Fire Truck Purchase	34,520	0	4,000	30,520	4,000
Michigan Jobs Commission	315,000	0	8,525	306,475	4,262
Accrued Sick Leave	52,374	1,043	0	53,417	0
TOTAL	\$ 10,365,756	\$ 1,043	\$ 312,525	\$ 10,054,274	\$ 312,262

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2007 is as follows:

	Sewer	Water
Operating Revenues	\$341,877	\$1,037,165
Depreciation	\$154,680	\$363,044
Operating Income (Loss)	\$117,264	\$219,406
Non-operating Revenue (Expense)	(\$127,002)	(\$145,379)
Net Income (Loss)	\$98,024	\$96,941
Property, Plant, and Equipment:		
Additions	\$0	\$0
Net Working Capital (Deficit)	\$92,617	\$146,314
Total Assets	\$6,139,232	\$16,935,056
Total Equity	\$3,159,437	\$10,166,911

NOTE J - PENSION PLANS

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement system of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement system of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

The Village is required to contribute to the plan at an actuarially determined rate. The current rate, as a percent of annual covered payroll, is 13.69% for general employees and 13.59% for administrative employees. Village employees are not required to contribute. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Annual Pension Cost: For the year ended March 31, 2007, the Village's required and actual pension cost was \$67,378. The annual required contribution percentage was determined as a part of the Initial Actuarial Valuation on January 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include a net investment rate of return on assets of 8 percent per year compounded annually, projected salary increases of 4.5 percent per year compounded annually due to inflation, and additional projected salary increases ranging from 0 to 4.5 percent per year depending on an age to reflect merit and longevity. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Any unfunded actuarial liability is amortized by a level percent of payroll contributions over a period of 30 years.

Information trend comparison as required by GASB No. 27 and 25 is as follows:

Fiscal Year Ended June 30	2006	2005	2004
Annual pension cost (APC)	\$ 65,723	\$ 60,699	\$ 61,141
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE K - DEFERRED COMPENSATION PLAN

The employees of the Village are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by PEBSCO. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be the property of the Plan's participants and are no longer subject to the Village's general creditors. Also, as the Village relies on a third party for administration and investment management of the plan, the Village is no longer required to report the 457 plan assets on its financial statements.

NOTE L - COMPONENT UNITS

Ontonagon Memorial Hospital

As discussed in Note A concerning the reporting entity, the hospital is considered a component unit of the Village of Ontonagon for financial reporting purposes. The Ontonagon Memorial Hospital is audited by other auditors under a separate cover. The separate audited financial statement contains various notes which detail significant financial disclosures.

The hospital has capital leases payable of \$716,744, land contracts payable of \$34,022, and notes payable of \$430,013.

Downtown Development Authority (DDA)

As discussed in Note A concerning the reporting entity, the DDA is considered a component unit of the Village of Ontonagon for financial reporting purposes.

The DDA has loan with Ontonagon County for the Speculation Building. The balance at March 31, 2007 was \$241,054. A detail of the of the debt schedule is located on page 60.

NOTE M - COMMITMENTS AND CONTINGENCIES

Ontonagon Memorial Hospital

The Village has signed a Letter of Intent to transfer ownership of the Ontonagon Memorial Hospital to a private non-profit corporation. The corporation will acquire all assets and liabilities of the hospital with the exception of the retirement liability with Municipal Employee's Retirement System of Michigan (MERS).

Michigan Department of Transportation

The Village has entered into contracts with the Michigan Department of Transportation (MDOT) in connection with paving projects to be completed in 2007. This is an advance construction project utilizing future fiscal year funds from State Local Jobs Today Program Loan/Federal Funds. MDOT has also made a loan contract with the Village until funds are available from federal sources with a percentage rate of 4%. At the date of this report there hasn't been any loan activity.

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2007

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

The contracts are for the following projects:

Parker Avenue - Resurfacing work along Parker Avenue from Highway M38 to Airport Road; including cold milling and culvert replacement work; and all together necessary related work. The estimated cost for this project is \$200,200.

Houghton Street - Cold milling and hot mix asphalt paving work along Houghton Street from Michigan Avenue to Lakeshore Drive and along Lakeshore Drive from Houghton Street northeasterly to the village limits; and all together with necessary related work. The estimated cost for this project is \$315,000.

Seventh Street - Cold milling and hot mix asphalt paving work along Seventh Street from Highway M-38 to Parker Avenues; and all together with necessary related work. The estimated cost for this project is \$100,000.

U.S. Department of Agriculture's Rural Development

The Village has been approved to receive a \$278,000 loan and \$45,000 grant from the U.S. Department of Agriculture's Rural Development program to purchase a new truck for the fire department. The loan is for 15 years at 4.25% interest rate.

NOTE N - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability workers' compensation and property risk, by participating in Michigan Municipal Risk Management Authority Liability and Property Pool, a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Michigan Municipal Risk Management Authority Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE O - CONTINGENT LIABILITIES

Solid-Waste Landfill

The Village was an operator of a municipal solid-waste landfill which was closed in 1987. The Village has not recorded or recognized any costs or liability for the landfill post-closure care requirements. Village engineers have estimated the landfill clean-up cost to be approximately \$350,000.

The Village is seeking financial assistance from the State of Michigan (the landowner) and from Ontonagon County in connection with this matter.

NOTE P - RECLASSIFICATIONS

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 classifications.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF ONTONAGON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 438,900	\$ 438,900	\$ 514,370	\$ 75,470
State sources	182,000	182,000	178,840	(3,160)
Federal sources	-	-	10,000	10,000
TOTAL REVENUE	620,900	620,900	703,210	82,310
EXPENDITURES:				
General government				
Board/Council/Legislative	25,400	25,400	18,037	7,363
Executive/Manager	42,430	42,430	31,922	10,508
Village Office	58,660	58,660	35,282	23,378
Chamber Building	1,480	1,480	1,270	210
Clerk	21,360	21,360	15,642	5,718
Treasurer	8,650	8,650	3,841	4,809
Legal, accounting, and audit	4,225	4,225	9,577	(5,352)
Assessor	1,800	1,800	1,195	605
Elections	2,000	2,000	-	2,000
Public safety	71,100	71,100	28,362	42,738
Public works	155,620	155,620	117,045	38,575
Recreation and culture	45,760	45,760	37,062	8,698
Community promotion	62,000	62,000	59,884	2,116
Insurance and fringe benefits	197,640	197,640	254,412	(56,772)
TOTAL EXPENDITURES	698,125	698,125	613,531	84,594
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,225)	(77,225)	89,679	166,904
OTHER FINANCING SOURCES (USES)				
Operating transfers in	5,000	5,000	5,000	-
Transfer to component unit	(50,000)	(50,000)	(50,000)	-
Operating transfers out	(194,000)	(144,000)	(144,000)	-
NET CHANGE IN FUND BALANCE	\$ (316,225)	\$ (266,225)	(99,321)	\$ 166,904
FUND BALANCE - BEGINNING OF YEAR			550,004	
FUND BALANCE - END OF YEAR			\$ 450,683	

VILLAGE OF ONTONAGON
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 160,800	\$ 160,800	\$ 143,191	\$ (17,609)
State sources	8,000	298,000	265,583	(32,417)
TOTAL REVENUE	168,800	458,800	408,774	(50,026)
EXPENDITURES:				
Supplies, materials, and other	167,775	302,775	309,102	(6,327)
Other services and support	1,025	1,025	1,025	-
TOTAL EXPENDITURES	168,800	303,800	310,127	(6,327)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	155,000	98,647	(56,353)
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	(155,000)	(155,000)	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(56,353)	\$ (56,353)
FUND BALANCE - BEGINNING OF YEAR			133,156	
FUND BALANCE - END OF YEAR			\$ 76,803	

VILLAGE OF ONTONAGON
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 95,000	\$ 95,000	\$ 94,629	\$ (371)
Federal sources	-	-	142,405	142,405
TOTAL REVENUE	<u>95,000</u>	<u>95,000</u>	<u>237,034</u>	<u>142,034</u>
EXPENDITURES:				
Supplies, materials, and other	17,600	17,600	3,324	14,276
Other services and support	<u>77,400</u>	<u>77,400</u>	<u>183,014</u>	<u>(105,614)</u>
TOTAL EXPENDITURES	<u>95,000</u>	<u>95,000</u>	<u>186,338</u>	<u>(91,338)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	50,696	50,696
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	<u>11,290</u>	<u>11,290</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>61,986</u>	<u>\$ 61,986</u>
FUND BALANCE - BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ 61,986</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF ONTONAGON
GENERAL FUND
BALANCE SHEETS
March 31, 2007
With Comparative Totals at March 31, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 459,726	\$ 575,246
Taxes receivable	20,370	31,754
Due from other funds	52,582	6,470
Due from component unit	<u>2,091</u>	<u>1,420</u>
TOTAL CURRENT ASSETS	<u>\$ 534,769</u>	<u>\$ 614,890</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,430	\$ 30,401
Accrued expenses	27,873	20,931
Due to other funds	48,783	2,374
Deferred revenue	<u>-</u>	<u>11,180</u>
TOTAL CURRENT LIABILITIES	<u>84,086</u>	<u>64,886</u>
FUND BALANCES:		
Unreserved	<u>450,683</u>	<u>550,004</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 534,769</u>	<u>\$ 614,890</u>

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended March 31, 2007
With Comparative Actual Amounts for Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Current taxes:				
Property Taxes	\$ 345,000	\$ 378,916	\$ (33,916)	\$ 358,707
Penalties & interest on tax	1,500	-	1,500	-
Payments in lieu of tax	1,500	7,756	(6,256)	7,368
Administration fees	4,000	4,185	(185)	3,990
Total current taxes	<u>352,000</u>	<u>390,857</u>	<u>(38,857)</u>	<u>370,065</u>
State Shared Revenue	<u>182,000</u>	<u>178,840</u>	<u>3,160</u>	<u>180,378</u>
Grant revenue	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>11,334</u>
Charges for services	<u>29,850</u>	<u>18,084</u>	<u>11,766</u>	<u>106,877</u>
Interest	<u>2,000</u>	<u>11,342</u>	<u>(9,342)</u>	<u>8,946</u>
Other revenue:				
Sale of assets	-	-	-	34,316
Refunds/reimbursements	-	33,902	(33,902)	9,447
Miscellaneous	250	3,173	(2,923)	11,733
Health services payments from retirees	<u>54,800</u>	<u>57,012</u>	<u>(2,212)</u>	<u>61,073</u>
Total other revenue	<u>55,050</u>	<u>94,087</u>	<u>(39,037)</u>	<u>116,569</u>
TOTAL REVENUES	<u>620,900</u>	<u>703,210</u>	<u>(82,310)</u>	<u>794,169</u>
EXPENDITURES:				
General Government:				
Board/Council/Legislative:				
Salaries, wages, and fringe benefits	14,000	11,626	2,374	12,999
Supplies, materials, and other	600	326	274	102
Other services and support	<u>10,800</u>	<u>6,085</u>	<u>4,715</u>	<u>7,020</u>
Total board/council/legislative	<u>25,400</u>	<u>18,037</u>	<u>7,363</u>	<u>20,121</u>
Executive/Manager:				
Salaries, wages, and fringe benefits	30,730	23,134	7,596	19,383
Supplies, materials, and other	500	34	466	124
Insurance	500	-	500	470
Utilities	500	415	85	197
Other services and support	<u>10,200</u>	<u>8,339</u>	<u>1,861</u>	<u>9,192</u>
Total executive/manager	<u>42,430</u>	<u>31,922</u>	<u>10,508</u>	<u>29,366</u>

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2007
With Comparative Actual Amounts for Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
Village Office:				
Salaries, wages, and fringe benefits	23,260	11,766	11,494	10,281
Supplies, materials, and other	10,000	9,775	225	12,102
Insurance	5,500	100	5,400	19,955
Utilities	4,500	5,834	(1,334)	5,230
Other services and support	2,400	2,984	(584)	2,962
Capital outlay	13,000	4,823	8,177	3,088
Total village office	<u>58,660</u>	<u>35,282</u>	<u>23,378</u>	<u>53,618</u>
Chamber Building	<u>1,480</u>	<u>1,270</u>	<u>210</u>	<u>1,201</u>
Clerk:				
Salaries, wages, and fringe benefits	18,860	14,834	4,026	14,017
Supplies, materials, and other	700	358	342	488
Insurance	1,000	-	1,000	1,050
Other services and support	800	450	350	737
Total clerk	<u>21,360</u>	<u>15,642</u>	<u>5,718</u>	<u>16,292</u>
Treasurer:				
Salaries, wages, and fringe benefits	6,900	3,806	3,094	3,734
Supplies, materials, and other	1,000	-	1,000	-
Other services and support	750	35	715	604
Total treasurer	<u>8,650</u>	<u>3,841</u>	<u>4,809</u>	<u>4,338</u>
Legal, accounting, and audit	<u>4,225</u>	<u>9,577</u>	<u>(5,352)</u>	<u>2,380</u>
Assessor	<u>1,800</u>	<u>1,195</u>	<u>605</u>	<u>1,119</u>
Elections:				
Supplies, materials, and other	800	-	800	-
Other services and support	1,200	-	1,200	-
Total elections	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total general government	<u>166,005</u>	<u>116,766</u>	<u>49,239</u>	<u>128,435</u>
Public Safety:				
Building Inspection:				
Supplies, materials, and other	700	-	700	1,631
Other services and support	15,000	2,462	12,538	4,385
Fire Protection:				
Salaries, wages, and fringe benefits	2,300	1,800	500	2,340
Supplies, materials, and other	9,200	5,131	4,069	8,837
Insurance	3,800	100	3,700	3,100
Utilities	12,100	9,655	2,445	13,430
Other services and support	19,000	9,078	9,922	12,512

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2007
With Comparative Actual Amounts for Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
Fire Protection: (Continued)				
Capital outlay	<u>9,000</u>	<u>136</u>	<u>8,864</u>	<u>3,256</u>
Total public safety	<u>71,100</u>	<u>28,362</u>	<u>42,738</u>	<u>49,491</u>
Public Works:				
Department of Public Works:				
Salaries, wages, and fringe benefits	62,970	47,776	15,194	43,176
Supplies, materials, and other	14,500	13,526	974	14,499
Insurance	9,000	926	8,074	10,385
Utilities	500	135	365	372
Other services and support	19,750	18,101	1,649	11,328
Capital outlay	<u>-</u>	<u>148</u>	<u>(148)</u>	<u>11,181</u>
Total department of public works	<u>106,720</u>	<u>80,612</u>	<u>26,108</u>	<u>90,941</u>
Street lighting	<u>48,900</u>	<u>36,433</u>	<u>12,467</u>	<u>37,010</u>
Total public works	<u>155,620</u>	<u>117,045</u>	<u>38,575</u>	<u>127,951</u>
Recreation and Culture:				
Parks:				
Salaries, wages, and fringe benefits	6,460	3,407	3,053	3,924
Supplies, materials, and other	4,000	1,769	2,231	2,658
Insurance	1,000	-	1,000	2,000
Repairs and maintenance	4,000	-	4,000	1,293
Utilities	28,300	26,451	1,849	26,654
Other services and support	<u>2,000</u>	<u>5,435</u>	<u>(3,435)</u>	<u>3,170</u>
Total parks	<u>45,760</u>	<u>37,062</u>	<u>8,698</u>	<u>39,699</u>
Marina:				
Salaries, wages, and fringe benefits	-	-	-	15,260
Supplies, materials, and other	-	-	-	14,795
Repairs and maintenance	-	-	-	48,580
Insurance	-	-	-	1,236
Utilities	-	-	-	2,265
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,305</u>
Total marina	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,441</u>
Total recreation and culture	<u>45,760</u>	<u>37,062</u>	<u>8,698</u>	<u>125,140</u>
Community Promotion:				
Supplies, materials, and other	1,500	4,956	(3,456)	8,894
Utilities	1,300	163	1,137	307
Other services and support	31,700	40,909	(9,209)	35,561
Capital outlay	<u>27,500</u>	<u>13,856</u>	<u>13,644</u>	<u>78</u>
Total community promotion	<u>62,000</u>	<u>59,884</u>	<u>2,116</u>	<u>44,840</u>

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2007
With Comparative Actual Amounts for Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
Other:				
Insurance and fringe benefits	<u>197,640</u>	<u>254,412</u>	<u>(56,772)</u>	<u>215,868</u>
TOTAL EXPENDITURES	<u>698,125</u>	<u>613,531</u>	<u>84,594</u>	<u>691,725</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(77,225)</u>	<u>89,679</u>	<u>(166,904)</u>	<u>102,444</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	5,000	5,000	-	-
Transfer to component unit	(50,000)	(50,000)	-	-
Operating transfers out	<u>(144,000)</u>	<u>(144,000)</u>	<u>-</u>	<u>(160,000)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>(189,000)</u>	<u>(189,000)</u>	<u>-</u>	<u>(160,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (266,225)</u>	(99,321)	<u>\$ (166,904)</u>	(57,556)
FUND BALANCE, BEGINNING OF YEAR		<u>550,004</u>		<u>607,560</u>
FUND BALANCE, END OF YEAR		<u>\$ 450,683</u>		<u>\$ 550,004</u>

VILLAGE OF ONTONAGON
SPECIAL REVENUE FUNDS
BALANCE SHEETS

March 31, 2007

With Comparative Totals at March 31, 2006

	Major Street	Local Street	Road	Fire	Marina	Rehab	Totals (Memorandum Only)	
							2007	2006
ASSETS:								
Cash and cash equivalents	\$ 231,979	\$ 306,144	\$ 95,771	\$ 51,072	\$ 54,934	\$ 21,373	\$ 761,273	\$ 584,107
Taxes receivable	-	-	32,085	6,437	-	-	38,522	51,421
Due from other funds	38,000	-	-	6,688	-	-	44,688	-
Due from other governmental units	20,748	9,205	-	-	-	-	29,953	31,089
Total assets	\$ 290,727	\$ 315,349	\$ 127,856	\$ 64,197	\$ 54,934	\$ 21,373	\$ 874,436	\$ 666,617
LIABILITIES:								
Accounts payable	\$ 320	\$ 313	\$ 1,563	\$ 2,211	\$ -	\$ -	\$ 4,407	\$ 478
Accrued expenses	882	346	-	-	-	-	1,228	5,670
Deferred revenue	-	-	-	-	12,343	-	12,343	1,256
Due to component unit	-	-	-	-	-	-	-	16,668
Due to other funds	-	-	49,490	-	4,725	100	54,315	20,748
Total liabilities	1,202	659	51,053	2,211	17,068	100	72,293	44,820
FUND EQUITY:								
Fund Balance - Unreserved	289,525	314,690	76,803	61,986	37,866	21,273	802,143	621,797
TOTAL LIABILITIES AND FUND EQUITY	\$ 290,727	\$ 315,349	\$ 127,856	\$ 64,197	\$ 54,934	\$ 21,373	\$ 874,436	\$ 666,617

VILLAGE OF ONTONAGON
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

March 31, 2007

With Comparative Actual Amounts for Year Ended March 31, 2006

	Major Street	Local Street	Road	Fire	Marina	Rehab	Totals (Memorandum Only)	
							2007	2006
REVENUES:								
Current taxes	\$ -	\$ -	\$ 142,114	\$ 89,250	\$ -	\$ -	\$ 231,364	\$ 114,410
State revenue	122,185	56,763	-	-	-	-	178,948	195,211
Charges for services	-	-	-	-	48,386	-	48,386	-
Grant revenue	-	-	265,583	142,405	-	115,345	523,333	305,789
Interest	1,990	1,916	1,077	379	3	-	5,365	3,636
Other revenue	15,067	-	-	5,000	-	21,471	41,538	101
Total revenues	139,242	58,679	408,774	237,034	48,389	136,816	1,028,934	619,147
EXPENDITURES:								
Salaries, wages, and fringe benefits	52,105	27,848	-	-	20,888	-	100,841	105,612
Supplies, materials, and other	7,600	8,196	309,102	3,324	15,151	-	343,373	33,342
Other services and support	91,109	45,489	1,025	183,014	18,484	115,543	454,664	486,743
Total expenditures	150,814	81,533	310,127	186,338	54,523	115,543	898,878	625,697
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,572)	(22,854)	98,647	50,696	(6,134)	21,273	130,056	(6,550)
OTHER FINANCING SOURCES (USES):								
Operating transfers in (out)	61,500	88,500	(155,000)	11,290	44,000	-	50,290	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	49,928	65,646	(56,353)	61,986	37,866	21,273	180,346	(6,550)
FUND BALANCE, BEGINNING OF YEAR (AS RESTATED)	239,597	249,044	133,156	-	-	-	621,797	628,347
FUND BALANCE, END OF YEAR	\$ 289,525	\$ 314,690	\$ 76,803	\$ 61,986	\$ 37,866	\$ 21,273	\$ 802,143	\$ 621,797

VILLAGE OF ONTONAGON
CAPITAL PROJECT - M64 PROJECT
BALANCE SHEETS
March 31, 2007
With Comparative Totals at March 31, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 86	\$ 85
Accounts receivable	<u>4,790</u>	<u>1,974</u>
TOTAL ASSETS	<u><u>\$ 4,876</u></u>	<u><u>\$ 2,059</u></u>
LIABILITIES:		
Due to other funds	\$ 2,847	\$ 1,696
Due to governmental units	<u>-</u>	<u>363</u>
TOTAL LIABILITIES	<u><u>2,847</u></u>	<u><u>2,059</u></u>
FUND EQUITY:		
Fund Balance	<u>2,029</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 4,876</u></u>	<u><u>\$ 2,059</u></u>

VILLAGE OF ONTONAGON
CAPITAL PROJECT - M64 PROJECT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2007
With Comparative Totals at March 31 2006

	Totals	
	(Memorandum Only)	
	2007	2006
Revenues:		
Grant revenue	\$ 24,075	\$ 1,419,230
Total revenues	24,075	1,419,230
Expenditures:		
Public works	22,046	1,418,991
Total expenditures	22,046	1,418,991
Excess (deficiency) of revenue over expenditures	2,029	239
Other Financing Sources (Uses)		
Net change in fund balance	2,029	239
Fund Balances - Beginning of Year	-	(239)
Fund Balances - End of Year	\$ 2,029	\$ -

VILLAGE OF ONTONAGON**ENTERPRISE FUNDS****BALANCE SHEETS****March 31, 2007****With Comparative Totals at March 31, 2006**

	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
			2006	2005
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 161,875	\$ 308,005	\$ 469,880	\$ 337,384
Accounts receivable	39,537	80,362	119,899	101,886
Due from other funds	-	37,230	37,230	33,513
Total current assets	<u>201,412</u>	<u>425,597</u>	<u>627,009</u>	<u>472,783</u>
Restricted cash	<u>312,549</u>	<u>765,905</u>	<u>1,078,454</u>	<u>842,800</u>
Property, plant, and equipment	7,889,047	18,023,668	25,912,715	25,912,715
Accumulated depreciation & amortization	<u>(2,263,776)</u>	<u>(2,280,114)</u>	<u>(4,543,890)</u>	<u>(4,026,165)</u>
	<u>5,625,271</u>	<u>15,743,554</u>	<u>21,368,825</u>	<u>21,886,550</u>
TOTAL ASSETS	\$ 6,139,232	\$ 16,935,056	\$ 23,074,288	\$ 23,202,133
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 62	\$ 11,689	\$ 11,751	\$ 28,811
Accrued expenses	11,178	12,018	23,196	22,177
Customer deposits	-	5,561	5,561	5,945
Due to other funds	28,555	15,015	43,570	47,956
Current maturities on long term debt	<u>69,000</u>	<u>235,000</u>	<u>304,000</u>	<u>302,000</u>
Total current liabilities	<u>108,795</u>	<u>279,283</u>	<u>388,078</u>	<u>406,889</u>
Long-term liabilities:				
Bonds payable	<u>2,871,000</u>	<u>6,488,862</u>	<u>9,359,862</u>	<u>9,663,862</u>
TOTAL LIABILITIES	2,979,795	6,768,145	9,747,940	10,070,751
FUND EQUITY:				
Contributed capital	<u>2,782,918</u>	<u>9,459,428</u>	<u>12,242,346</u>	<u>12,482,920</u>
Retained earnings:				
Reserved	312,549	526,485	839,034	759,525
Unreserved - Undesignated	<u>63,970</u>	<u>180,998</u>	<u>244,968</u>	<u>(111,063)</u>
Total retained earnings	<u>376,519</u>	<u>707,483</u>	<u>1,084,002</u>	<u>648,462</u>
TOTAL FUND EQUITY	3,159,437	10,166,911	13,326,348	13,131,382
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,139,232	\$ 16,935,056	\$ 23,074,288	\$ 23,202,133

VILLAGE OF ONTONAGON
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

March 31, 2007

With Comparative Totals at March 31, 2006

	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
			2007	2006
OPERATING REVENUES:				
Sales and charges for services	\$ 337,262	\$ 1,004,715	\$ 1,341,977	\$ 1,137,160
Fines, forfeitures, and penalties	3,692	11,164	14,856	10,280
Other revenue	923	21,286	22,209	22,520
TOTAL OPERATING REVENUES	341,877	1,037,165	1,379,042	1,169,960
EXPENSES:				
Salaries, wages, and fringe benefits	38,827	269,713	308,540	284,087
Supplies, materials, and other	957	73,220	74,177	67,854
Repair and maintenance	1,762	9,842	11,604	9,228
Insurance	1,000	200	1,200	30,798
Utilities	19,809	53,194	73,003	93,502
Other services and support	7,578	48,546	56,124	64,653
Depreciation	154,680	363,044	517,724	517,115
TOTAL OPERATING EXPENSES	224,613	817,759	1,042,372	1,067,237
OPERATING INCOME (LOSS)	117,264	219,406	336,670	102,723
NON-OPERATING REVENUES (EXPENSES):				
Interest income	7,762	22,914	30,676	15,787
Interest expense	(127,002)	(145,379)	(272,381)	(279,782)
Operating transfers in	100,000	-	100,000	160,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	(19,240)	(122,465)	(141,705)	103,995
NET INCOME (LOSS)	98,024	96,941	194,965	(1,272)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	224,971	423,491	648,462	408,356
ADJUSTMENTS TO FUND EQUITY:				
Add depreciation on contributed capital fixed assets	53,524	187,051	240,575	241,378
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 376,519	\$ 707,483	\$ 1,084,002	\$ 648,462

VILLAGE OF ONTONAGON
EQUIPMENT FUND
BALANCE SHEETS
March 31, 2007
With Comparative Totals at March 31, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 335,439	\$ 289,212
Due from other funds	15,015	31,985
Due from component unit	-	7,715
Property, plant, and equipment	1,207,366	1,222,366
Accumulated depreciation & amortization	<u>(1,005,084)</u>	<u>(924,080)</u>
TOTAL ASSETS	<u>\$ 552,736</u>	<u>\$ 627,198</u>
LIABILITIES:		
Accounts payable	\$ 1,116	\$ 7,337
Accrued expenses	-	986
Due to other funds	-	(806)
Notes payable	<u>-</u>	<u>34,520</u>
TOTAL LIABILITIES	<u>1,116</u>	<u>42,037</u>
FUND EQUITY:		
Contributed capital	248,780	248,780
Retained earnings	<u>302,840</u>	<u>336,381</u>
TOTAL FUND EQUITY	<u>551,620</u>	<u>585,161</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 552,736</u>	<u>\$ 627,198</u>

VILLAGE OF ONTONAGON
EQUIPMENT FUND
DETAIL STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2007
With Comparative Actual Amounts for Year Ended March 31, 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Equipment rental	\$ 183,447	\$ 169,926
EXPENSES:		
Salaries, wages, and fringe benefits	43,440	26,434
Supplies, materials, and other	16,183	17,171
Repair and maintenance	39,527	25,523
Insurance	-	6,262
Utilities	17,788	22,113
Other services and support	525	575
Depreciation	<u>96,005</u>	<u>96,241</u>
Total expenses	<u>213,468</u>	<u>194,319</u>
OPERATING INCOME	<u>(30,021)</u>	<u>(24,393)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	8,424	1,878
Interest expense	(654)	(1,734)
Operating transfers out	<u>(11,290)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(3,520)</u>	<u>144</u>
NET INCOME (LOSS)	(33,541)	(24,249)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>336,381</u>	<u>360,630</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 302,840</u>	<u>\$ 336,381</u>

DEBT SCHEDULES

VILLAGE OF ONTONAGON - DEBT SCHEDULES
LONG-TERM DEBT ACCOUNT GROUP

1998 Loan of Federal Funds - Payable to Michigan Jobs Commission

Date of Loan: 1998 - Change of effective date with Amendment #5 March 31, 2008
Purpose: Renaissance Zone Industrial Park

Original Loan Amount: \$315,000
Interest Rate: 0% - Changed with Amendment #4 January 17, 2006
Term: Maximum term - 20 years with no interest. The debt (up to 90%) will be forgiven at the rate of \$20,000 for each qualifying net new job created and added to the existing job base.

Adjustment for new jobs created will be done at the end of the project period.

Year Ended	
March	Principal
2006	\$ 4,262
2007	4,263
2008	4,262
2009	4,262
2010	4,262
2011	4,262
2012	4,262
2013	4,262
2014	4,262
2015	4,262
2016	4,262
2017	4,262
2018	4,262
2019	4,262
2020	255,331
	<u>\$ 315,000</u>

VILLAGE OF ONTONAGON – DEBT SCHEDULES
ENTERPRISE FUNDS

1996 Sanitary Sewage Disposal System Revenue Bonds

Date of Loan: October 2, 1996 Original Loan Amount: \$3,000,000
Interest Rate: 4.5% Term: 40 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March	Principal September	Interest		Total
		September	March	
2002	\$ 35,000	\$ 64,823	\$ 64,102	\$ 163,925
2003	35,000	64,103	63,315	162,418
2004	37,000	63,315	62,527	162,842
2005	39,000	62,528	61,695	163,223
2006	40,000	61,695	60,817	162,512
2007	42,000	60,818	59,917	162,735
2008	44,000	59,918	58,972	162,890
2009	46,000	58,973	57,982	162,955
2010	47,000	57,983	56,947	161,930
2011	50,000	56,948	55,890	162,838
2012	52,000	55,890	54,765	162,655
2013	55,000	54,765	53,595	163,360
2014	56,000	53,595	52,357	161,952
2015	60,000	52,358	51,097	163,455
2016	62,000	51,098	49,747	162,845
2017	65,000	49,748	48,352	163,100
2018	68,000	48,353	46,890	163,243
2019	70,000	46,890	45,360	162,250
2020	74,000	45,360	43,785	163,145
2021	78,000	43,785	42,120	163,905
2022	80,000	42,120	40,365	162,485
2023	83,000	40,365	38,565	161,930
2024	87,000	38,565	36,698	162,263
2025	92,000	36,698	34,740	163,438
2026	95,000	34,740	32,670	162,410
2027	100,000	32,670	30,533	163,203
2028	104,000	30,533	28,283	162,816
2029	110,000	28,283	25,943	164,226
2030	115,000	25,943	23,468	164,411
2031	120,000	23,468	20,880	164,348
2032	125,000	20,880	18,180	164,060
2033	130,000	18,180	15,366	163,546
2034	136,000	15,366	12,442	163,808
2035	142,000	12,443	9,382	163,825
2036	149,000	9,383	6,187	164,570
2037	155,000	6,188	-	161,188
	<u>\$ 2,878,000</u>	<u>\$ 1,528,771</u>	<u>\$ 1,463,934</u>	<u>\$ 5,870,705</u>

VILLAGE OF ONTONAGON – DEBT SCHEDULES
ENTERPRISE FUNDS

1997 Sanitary Sewage Disposal System Revenue Bonds

Date of Loan: June 26, 1997 Original Loan Amount: \$493,143
Interest Rate: 2.25% Term: 20 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2003	\$ 4,648	\$ 4,648	\$ 20,000	\$ 29,296
2004	4,423	4,423	25,000	33,846
2005	4,141	4,141	25,000	33,282
2006	3,860	3,860	25,000	32,720
2007	3,579	3,579	25,000	32,158
2008	3,298	3,298	25,000	31,596
2009	3,017	3,017	25,000	31,034
2010	2,735	2,735	25,000	30,470
2011	2,454	2,454	25,000	29,908
2012	2,173	2,173	25,000	29,346
2013	1,892	1,892	25,000	28,784
2014	1,610	1,610	25,000	28,220
2015	1,329	1,329	30,000	32,658
2016	992	992	30,000	31,984
2017	654	654	55,000	56,308
TOTALS	<u>\$ 40,805</u>	<u>\$ 40,805</u>	<u>\$ 410,000</u>	<u>\$ 491,610</u>

VILLAGE OF ONTONAGON - DEBT SCHEDULES
ENTERPRISE FUNDS

2004 Water Bonds - Michigan Municipal Bond Authority

Date of Loan: June 24, 2004 Original Loan Amount: \$7,368,862.
Interest Rate: 2.125% Term: 30 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2005	\$ 0	\$ 36,972	\$ 175,000	\$ 211,972
2006	76,435	76,435	235,000	387,870
2007	73,938	73,938	235,000	382,876
2008	71,441	71,441	235,000	377,882
2009	68,944	68,944	240,000	377,888
2010	66,394	66,394	240,000	372,788
2011	63,844	63,844	240,000	367,688
2012	61,294	61,294	240,000	362,588
2013	58,744	58,744	240,000	357,488
2014	56,194	56,194	240,000	352,388
2015	53,644	53,644	245,000	352,288
2016	51,041	51,041	245,000	347,082
2017	48,438	48,438	245,000	341,876
2018	45,835	45,835	245,000	336,670
2019	43,232	43,232	245,000	331,464
2020	40,628	40,628	250,000	331,256
2021	37,972	37,972	250,000	325,944
2022	35,316	35,316	250,000	320,632
2023	32,660	32,660	250,000	315,320
2024	30,003	30,003	250,000	310,006
2025	27,347	27,347	250,000	304,694
2026	24,691	24,691	255,000	304,382
2027	21,982	21,982	255,000	298,964
2028	19,272	19,272	255,000	293,544
2029	16,563	16,563	255,000	288,126
2030	13,854	13,854	260,000	287,708
2031	11,091	11,091	260,000	282,182
2032	8,329	8,329	260,000	276,658
2033	5,566	5,566	260,000	271,132
2034	2,804	2,804	263,862	269,470
TOTALS	\$ 1,167,496	\$ 1,204,468	\$ 7,368,862	\$ 9,740,826

VILLAGE OF ONTONAGON - DEBT SCHEDULES
DOWNTOWN DEVELOPMENT AUTHORITY

2005 EDC Ontonagon County Loan (DDA Speculation Building)

Date of Loan:	April 19, 2005	Original Loan Amount: \$265,756
Interest Rate:	3.75%	Term: 30 years

Repayment of principal and interest in monthly payments summarized by year is as follows:

Year Ended March 31	Interest	Principal	Total
2006	\$ 8,944	\$ 12,315	\$ 21,259
2007	9,266	13,924	23,190
2008	8,735	14,457	23,192
2009	8,183	15,007	23,190
2010	7,611	15,581	23,192
2011	7,017	16,175	23,192
2012	6,399	16,793	23,192
2013	5,759	17,431	23,190
2014	5,094	18,098	23,192
2015	4,403	18,789	23,192
2016	3,686	19,504	23,190
2017	2,942	20,250	23,192
2018	2,170	21,022	23,192
2019	1,368	21,824	23,192
2020	535	22,657	23,192
2021	7	1,929	1,936
TOTALS	\$ 82,119	\$ 265,756	\$ 347,875



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COMMENTS AND RECOMMENDATIONS LETTER

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

In connection with our audit of the financial statements of the Village of Ontonagon, Michigan, for the year ended March 31, 2007, the following concerns regarding the accounting records, procedures, and internal accounting control structure came to our attention and are presented for your consideration.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures.

Insured Deposits

We noted approximately fifty-four (54%) of the Village's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Village has determined that because of the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it uses and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Expenditures

In order to keep the Village's management informed regarding State of Michigan regulations, we present below a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H). We recommend that the Village's management familiarize themselves with this list in order to prevent the potential for illegal or unauthorized expenditures of the Village's funds.

- Contributions to churches, veterans, nonprofit organizations.
- Payment of funeral expense for a person injured on government property
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
- Donations to community organizations.
- Expenses for private road constructions or maintenance.
- Office refreshments, picnics.
- Presents to officials and employees or retirement recognitions events.
- Flowers to the sick or departed.
- Mileage of officials and employees to and from their residences to the Village.
- Extra compensation unless for part of the initial salary resolution or authorized under statutory procedures for an increase in salary.

It has been a pleasure to provide audit services to the Village of Ontonagon. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkala, CPA, PC

Certified Public Accountants

September 27, 2007